

VIRGINIA MILITARY INSTITUTE

**INTERCOLLEGIATE ATHLETIC PROGRAMS
FOR THE YEAR ENDED
JUNE 30, 2004**



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INSTITUTE OFFICIALS



Commonwealth of Virginia

Walter J. Kucharski, Auditor

**Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218**

April 8, 2005

The Honorable Mark R. Warner
Governor of Virginia

The Honorable Lacey E. Putney
Chairman, Joint Legislative Audit
and Review Commission

General J.H. Binford Peay III
Superintendent, Virginia Military Institute

INDEPENDENT AUDITOR'S REPORT ON APPLICATION OF AGREED-UPON PROCEDURES

We have audited the financial statements of Virginia Military Institute as of and for the year ended June 30, 2004, and have issued our unqualified report thereon dated April 8, 2005. At the request of the Superintendent of the Institute, we have performed certain agreed-upon procedures to the Institute's Intercollegiate Athletics Programs for the fiscal year ended June 30, 2004, discussed below, solely to assist the Institute in complying with National Collegiate Athletic Association (NCAA) Bylaw 6.2.3.1. The Institute is responsible for the Intercollegiate Athletics Programs including preparation of the Schedule of Revenues and Expenditures of Intercollegiate Athletics Programs. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Institute. Consequently, we make no representation regarding sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Schedule of Revenues and Expenditures of Intercollegiate Athletics Programs – Agreed-Upon Substantive Procedures

- a. We obtained the Schedule of Revenues and Expenditures of Intercollegiate Athletics Programs (Schedule) for the year ended June 30, 2004, as prepared by the Institute and shown in this report. We recalculated the addition of the amounts on the Schedule, traced the amounts on the Schedule to management's worksheets and agreed the amounts on management's worksheets to the Intercollegiate Athletics Department's accounts in the accounting records. We noted no differences between the amounts in the Athletics Department's accounting records and the amounts on the worksheets. We discussed the nature of work sheet adjustments with management and are satisfied that the adjustments are appropriate.

- b. We applied certain analytical review techniques to the balances reported on the Schedule in order to determine the reasonableness of amounts reported therein. These techniques included trend analyses and other tests using operating data and review of actual amounts expended in comparison to budgeted amounts.
- c. We vouched each individual contribution received directly by the Institute for its Intercollegiate Athletics Programs that constituted more than ten percent of the contributions so received. Except for contributions received from the Virginia Military Institute Keydet Club and the Virginia Military Institute Development Board, affiliated organizations, we noted no individual contribution, which constituted more than ten percent of total contributions, received for Intercollegiate Athletics.

Because the above procedures “a” through “c” do not constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on the Schedule of Revenues and Expenditures of Intercollegiate Athletics Programs or any of the accounts or items referred to above. In connection with the procedures referred to above, no matters came to our attention that caused us to believe that the specified accounts or items should be adjusted. Had we performed additional procedures or had we made an audit of any financial statements of the Intercollegiate Athletics Department of Virginia Military Institute in accordance with generally accepted auditing standards, matters might have come to our attention that would have been reported to the Superintendent of the Institute. This report relates only to the accounts and items specified above and does not extend to the financial statements of the Institute or its Intercollegiate Athletics Department taken as a whole.

Internal Control Related to Intercollegiate Athletics Programs – Agreed-Upon Procedures

The management of Virginia Military Institute is responsible for establishing and maintaining internal control for its Intercollegiate Athletics Programs. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management’s authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any internal control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of internal control to future periods is subject to the risk that procedures may become inadequate because of change in conditions, or that the degree of compliance with the procedures may deteriorate. Our procedures and findings are as follows:

- d. We reviewed an organizational chart provided by Intercollegiate Athletics Department and discussed it with appropriate personnel. We reviewed documentation of accounting systems and operating procedures. We also made certain inquiries of management regarding control consciousness, the use of internal audit in the department, competence of personnel, and protection of records and equipment.
- e. We reviewed internal control over cash receipts and disbursements, including payroll, for the Intercollegiate Athletics Programs. We reviewed the relationship of internal control over Intercollegiate Athletics Programs to internal control reviewed in connection with the audit of the Institute’s financial statements. Our

review also included those controls unique to Intercollegiate Athletics which have not been reviewed in connection with the audit of the financial statements.

- f. We reviewed the Institute's procedures for monitoring booster group activities and concluded that those procedures were adequate.

Agreed-upon procedures "d" through "f" applied to certain aspects of the Institute's internal control were more limited than would be necessary to express an opinion on internal control of the Institute in effect for the year ended June 30, 2004, taken as a whole. Because our review and evaluation was limited to applying those agreed-upon procedures, we do not express such an opinion. In connection with applying procedures "d" through "f" above, we noted no material weaknesses relating to internal control over the Intercollegiate Athletics Program activities administered by the Institute.

This report is intended solely for the information and use of the Institute and authorized representatives of the National Collegiate Athletic Association and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

AUDITOR OF PUBLIC ACCOUNTS

WHC/kva

VIRGINIA MILITARY INSTITUTE
SCHEDULE OF REVENUES AND EXPENDITURES OF
INTERCOLLEGIATE ATHLETICS PROGRAMS
For the Year Ended June 30, 2004

	Football	Basketball	Other Sports	Non- Program Specific	Total
Revenues:					
Ticket sales	\$ 153,126	\$ 24,871	\$ -	\$ -	\$177,997
Guarantees	162,344	95,000	-	-	257,344
Cadet activity fees	-	-	-	1,623,292	1,623,292
Concessions	-	-	-	42,000	42,000
Program sales	13,646	1,089	-	64,766	79,501
Gifts: (Note 2)					
Unrestricted	17,137	12,055	52,263	1,420,228	1,501,683
Restricted	7,176	20,486	179,094	2,251,910	2,458,666
Endowment fund transfers-in	-	-	-	140,000	140,000
Bowl/conference proceeds	-	-	-	90,483	90,483
License fee	-	-	-	21,929	21,929
Other	1,710	32	3,787	742	6,271
Total revenues	355,139	153,533	235,144	5,655,350	6,399,166
Expenditures:					
Coaches' salaries and other salaries	579,482	388,475	726,510	686,705	2,381,172
Supplies	13,954	6,469	46,409	45,239	112,071
Equipment	103,131	34,928	54,771	51,020	243,850
Travel:					
Team	68,209	59,186	122,804	7,444	257,643
Recruiting	22,232	29,605	27,534	437	79,808
Other	-	5,764	88,706	11,945	106,415
Postal service	10	1,432	1,344	317	3,103
Publicity	-	-	-	38,331	38,331
Programs	-	2,038	1,232	10,355	13,625
Telephone	19,281	8,766	17,882	16,796	62,725
Medical services	620	-	-	17,088	17,708
Maintenance and general administration	55,264	3,126	52,192	158,809	269,391
Scholarships	-	-	-	2,004,673	2,004,673
Officiating	24,084	16,676	16,876	-	57,636
Guarantees	102,500	7,000	500	-	110,000
Insurance	-	-	-	46,821	46,821
Allocated administrative costs (Note 3)	-	-	-	508,823	508,823
Miscellaneous	8,548	5,953	20,897	86,920	122,318
Total expenditures	997,315	569,418	1,177,657	3,691,723	6,436,113
Net increase/(decrease) for the year	\$(642,176)	\$(415,885)	\$(942,513)	\$1,963,627	\$(36,947)

VIRGINIA MILITARY INSTITUTE
NOTES TO SCHEDULE OF REVENUES AND EXPENDITURES
OF INTERCOLLEGIATE ATHLETICS PROGRAMS
AS OF JUNE 30, 2004

1. BASIS OF PRESENTATION

The accompanying Schedule of Revenues and Expenditures of Intercollegiate Athletics Programs has been prepared on the accrual basis of accounting. The purpose of this schedule is to present a summary of operating revenues and expenditures of the intercollegiate athletic programs of the Institute for the year ended June 30, 2004. This schedule includes a selected portion of the Institute's activities and is not intended to and does not present either the financial position or changes in net assets for the year then ended. Revenues and expenditures are directly identifiable with each category presented and are reported accordingly. Revenues and expenditures not directly identifiable to a specific sport are reported under the category "Non-program Specific."

2. AFFILIATED ORGANIZATIONS

The Virginia Military Institute Keydet Club was established in 1948 for the purpose of raising contributions for scholarships to be awarded to athletes of the Institute. The Keydet Club gave the Institute \$2,004,673 for intercollegiate athletic programs during the fiscal year ended June 30, 2004.

The Virginia Military Institute Development Board was established in 1978 by the Virginia Military Institute Alumni Association to implement a comprehensive development program and to coordinate the Institute's various fund-raising activities. The Board provides support to the Institute from cash donations and income from its endowment. For the fiscal year 2004, the Institute received \$1,395,000 from the Board's unrestricted endowment which is shown on the Schedule as Unrestricted Gifts. Additionally, the Development Board provided \$413,635 from their restricted endowments in support of Intercollegiate Athletics.

3. ADMINISTRATIVE COST RECOVERIES

The Institute recovers from each auxiliary enterprise an amount to reimburse for the cost of institutional support and the operation and maintenance of plant. For the 2004 fiscal year, the Institute recovered \$220,190 of institutional support costs and \$288,633 of operation and maintenance of plant costs. These costs are charged to a non-program specific category and are not allocated among the different athletic programs.

VIRGINIA MILITARY INSTITUTE

BOARD OF VISITORS

As of June 30, 2004

Jean Clary Bagley	Bruce C. Morris
Waverley L. Berkley III	William A. Paulette
Lie-Ping Chang	S. Waite Rawls III
Darryl Keith Horne	Sue Ellen Rocovich
Dennis A. Johnson	Jay R. Sculley
Robert L. McDowell	Thomas G. Slater, Jr.
T. Carter Melton, Jr.	Donald M. Wilkinson
G. Gilmer Minor III	Claude A. Williams

Samuel B. Witt III

ADMINISTRATIVE OFFICERS

J.H. Binford Peay III
Superintendent

Donald T. White
Athletic Director

